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CENTRAL INTELLIGENCE AGENCY

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INFORMATION REPORT

COUNTRY Germany (Russian Zone)

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1. The Russians were caught unprepared by the currency reform in the western zones and felt they had to improvise an action to meet the steps taken by the western powers. An original agreement between the SA and the German Economic Commission (DK) called for the printing of 43,000,000 marks. This figure was accepted on Soviet insistence against the protests of German experts who claimed the amount was excessive in relation to the low purchasing power available as backing.

2. On Saturday noon, 19 June, the printing plant of the Tägliche Rundschau in Berlin began printing stamps to be affixed to the old marks, and stamps valued at 43,000,000 marks were completed on Monday night, 21 June. German technical personnel were then replaced by Russians. On Tuesday, 22 June, all normal activities of the DK were suspended, and all personnel were ordered to attach the stamps to the money. Five thousand persons worked on this project for 24 hours. Strict account was kept of the money handled, but informant states that it is impossible to determine how much money was stamped by the Russians themselves. Some stamps were removed from the printing plant and were in possession of individuals not later than Monday, 21 June.

3. Distribution of stamped currency began on 24 June. As of 25 June, no account was made of the distribution, but simple exchange took place of old currency for bills bearing stamps.

4. German authorities of the Russian Zone, including the DK, are most disturbed by the Russian action, since they are convinced that the Soviet Army is now supplied with an unlimited amount of the new currency, which will result in an inflation similar to that of the Reichsmark at the end of the war, when the Allied occupation mark was put in circulation. However, a conversation between ranking German officials indicates that they are convinced that the currency in the Russian Zone is purely temporary and is to be replaced as soon as technically feasible. The inflation of the currency in the Russian Zone is already an accepted fact. A quotation on the evening of 26 June, including the Russian sector of Berlin, gave an exchange rate of 40 Russian Zone marks for one Deutsche Mark.)

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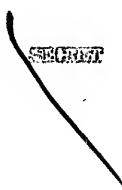
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Soviet Zone officials are much disheartened over the fast decline of the value of the new currency and consider it a convincing sign of lack of faith in the Soviet Zone economy on the part of the population.

5. The Russians are likely to make propaganda of the claim that they tried to reach an agreement with the western powers but that they were rebuffed by the western capitalists, and were thus forced to improvise a quick action. They think they have won a great triumph and will feel their victory is complete if the western powers accept the new currency of the Russian Zone.
6. The Russians are expected to insist that the possession of western currency in the Soviet sector of Berlin is illegal and to use this as a pretext for the arrest of persons whom they wish to eliminate.


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